

City of Franklin Addendum No. 1 to

Purchasing Office Solicitation No.: 2012-021

1. Solicitation identified: This Addendum No. 1 applies to the following procurement:
bad debt collection services
Purchasing Office Solicitation No.: 2012-021
2. Notice to Proposers publication date: **February 9, 2012**
3. Solicitation release date: **February 9, 2012**
4. Addendum No. 1 release date: **February 16, 2012**
5. Optional Pre-Submittal Conference: **February 23, 2012, 2:00 p.m. Central Time, ~~City Hall Board Room~~ City Hall Court Room**
6. Deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of this procurement solicitation: **March 1, 2012, 2:00 p.m. Central Time**
7. Proposals submittal deadline and opening: **March 15, 2012, 2:00 p.m. Central Time**
8. Tentative date of release of City's tabulation of proposals received and notice of intent to award: **April 20, 2012**
9. Tentative date of award: Meeting of Board of Mayor and Aldermen at which is tentatively scheduled to be awarded the selection of the proposal that best meets the needs of the City: **May 8, 2012**
10. Addendum:

In reference to the City of Franklin's February 9, 2012 Purchasing Office Solicitation No. 2012-021 for the supply and delivery of bad debt collection services, the City (1) has been asked certain questions about the solicitation by one or more vendors who are potential proposers, and (2) has decided to change the location of the Optional Pre-Submittal Conference.

The purpose of this Addendum No. 1 is to provide to all vendors who are known or thought to be interested in responding to the referenced solicitation (1) the City's responses to the questions that have been asked to date, and (2) the City's decision to change the location of the February 23, 2012, 2:00 p.m. Central Time Optional Pre-Submittal Conference from the City Hall Board Room to the City Hall Court Room.

Please note that the submittal deadline and scheduled opening of all proposals received remains unchanged and is: **March 15, 2012, 2:00 p.m. Central Time.**

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Below are the questions asked to date and the City's responses thereto:

Q1: Why is the contract out to bid at this time?

A1: The City is seeking proposals for bad debt collection services at this time in an effort to reduce the amount of bad debt currently on its books, and to have a mechanism for handling future obligations to the City.

Q2: Please clarify when responses must be received. Will you accept packages received up to and including those you receive on 3/15/12?

A2: Proposals for bad debt collection services must be received no earlier than March 8, 2012 and no later than **March 15, 2012, 2:00 p.m. Central Time**. Proposals received on March 15, 2012 before 2:00 p.m. will be accepted. Proposals received any time after 2:00 p.m. on March 15, 2012, or on any date thereafter, will not be accepted. Please see section 9 ("Delivery of proposals") of the "Instructions for Proposers" for further instructions about where proposals are to be delivered, the delivery method, proposals that are en route at the moment of the submittal deadline, and by what timepiece the determination will be made as to whether a proposal is to be considered by the City to have been delivered on time.

Q3: To how many vendors are you seeking to award a contract?

A3: The City expects to award a contract to one (1) proposer. However, as stated in subsection 12.5.1 of the Request for Proposals, "The City reserves the right to award part of the collection services to one proposer, and part to another, if that arrangement is deemed by the City to be most advantageous to the City."

Q4: Who are the incumbents, and how long have the incumbents been providing the requested services?

A4: The City has been using Transworld Systems, Inc (TSI) to pursue outstanding utility bills and NSF instruments. The current arrangement has been in existence for about ten (10) years.

Q5: Has the current contract gone full term?

A5: TSI pursues bad debt as directed by the City in accordance with a purchase contract for a specified number of pursuit actions.

Q6: Have all options to extend the current contract been exercised?

A6: See A5.

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- Q7: Will accounts be primary placements, not having been serviced by any other outside collection agency, and/or will you also be referring secondary placements? If so, should bidders provide proposed fees for secondary placements also?
- A7: We expect all of the court obligations and all future utility accounts will be primary placements. It is possible that some of the utility accounts will be secondary placements.
- Q8: What collection attempts are performed or will be performed internally prior to placement?
- A8: The answer depends on the specific type of account being pursued. Following is a summary of actions: Our current notices have been and are being modified with specific language to allow us to pursue outstanding obligations using a collections agent. For court obligations we are reissuing notices by regular mail to the last known address. For court parking and ordinance violations, we provide a couple of notices beyond the initial citation. In some cases, we may have issued a letter from the City Attorney or may have issued a court order for Failure to Appear or Failure to Satisfy. For court obligations resulting from violations of Tennessee Code "rules of the road," we notify the State to take actions to suspend the driver's license. However, this may not have always been done as required in the past. That would also result in a notice from the State to the obligor. For utility accounts, we provide a series of notices, including a final demand notice and disconnection of service for nonpayment. In cases where an NSF instrument has been presented, we notify the presenter to obtain payment.
- Q9: Will the selected vendor be allowed to litigate balances exceeding a certain dollar amount on your behalf, with your explicit approval?
- A9: As stated in subsection 12.8 of the Request for Proposals, "The vendor shall have no authority to and shall not initiate legal suit against any person to recover sums owed to the City unless prior written approval from the City has been obtained. Prior to initiating suit against any person or group of persons, the vendor shall provide the City with a list of such persons and an estimate of the filing fees and other expenses necessary to file suit. Any filing of such suits and the fee agreements relating thereto are subject to the approval of the City Attorney."
- Q10: What is the average balance of accounts by category?
- A10: For last fiscal year's utility billings, the City billed approximately \$27.757 million (\$2.313 million/month) and transferred approximately \$77 thousand to the collections agent. There were no transfers for court obligations. Annually, we receive about \$750,000 to \$1,000,000 from court fees/fines. Although we are uncertain as to how much will be transferred annually, we estimate that it might be about \$100,000.

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- Q11: What current contingency fees or other fees are currently being billed by any incumbent(s), by category?
- A11: For accounts transferred to TSI, we apply the fee paid to TSI for purchase of “vouchers” prior to transfer. Should we determine that additional steps are needed, and upon approval by the City, TSI will pursue further and retains a percentage of funds collected.
- Q12: What is the average age of accounts at placement (at time of award and/or on a going-forward basis), by category?
- A12: We estimate that utility accounts are about 90 to 120 days past due when sent to collections. Court fees outstanding are aged and are shown in Schedule 3 provided with the Request for Proposals for outstanding court obligations (page 2 of 6). We expect going forward that outstanding court obligations would be transferred to the agent about 60 to 90 days after missing the initial court date.
- Q13: What estimated or actual dollars were paid last year, last month, or last quarter to any incumbent(s)?
- A13: The City spent approximately \$5,000 in FY 2011.
- Q14: What is the monthly or quarterly number of accounts expected to be placed with the vendor(s) by category?
- A14: As indicated in Schedule 2 (“Bad Debts – Delinquent Utility Bills Sent to Collections During FY 2011”) provided with the Request for Proposals, we expect about 25 accounts per month to be placed for utility accounts, and we estimate that about 100 accounts will be transferred for outstanding court obligations monthly.
- Q15: What is the monthly or quarterly dollar value of accounts expected to be placed with the vendor(s) by category?
- A15: As indicated in Schedule 2 provided with the Request for Proposals, we expect about \$6,000 monthly to be transferred to collections monthly for utility bills, and we estimate that we will transfer about \$100,000 annually for outstanding court obligations.
- Q16: What has been the historical rate of return or liquidation rate provided by any incumbent(s), and/or what is anticipated or expected as a result of this procurement?
- A16: As to the historical rate of return or liquidation rate provided by any incumbent(s), we have obtained a return on investment of 142% during the past ten (10) years. As to the anticipated or expected rate of return or liquidation rate as a result of this procurement, we are not comfortable making such a prediction.

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Q17: If applicable, will accounts held by any incumbent(s) or any backlog be moved to any new vendor(s) as a one-time placement at contract start up?

A17: It may be advantageous to the City, and the City reserves the right, to move to the service provider selected as a result of this procurement solicitation the existing obligations previously transferred to our current agent, but at this time we do not anticipate doing so.

Q18: To what extent will the location of the bidder's call center and/or corporate headquarters have a bearing on any award(s)?

A18: The location of the proposer's call center and/or corporate headquarters will have no bearing on the evaluation of that proposer's proposal. However, please note the following subsections of the Request for Proposals:

- 12.1.6: The City will evaluate the ongoing operational performance of the vendor based on a variety of items to include, but not limited to: ... customer relations
- 12.2.3: The proposer must be licensed and bonded as required by the State of Tennessee. Should the selected vendor fail to maintain current licensure with the State as a collections agent, the City has grounds for terminating any contract made pursuant to this solicitation.
- 12.2.4: The proposer must be a current member in good standing of the American Collector's Association.

Failure to communicate effectively with the obligor, failure to represent the City of Franklin in a professional manner, or taking actions that reflect poorly on or misrepresent the City Franklin, all are examples of performance not conducive to positive "customer relations" and may result in termination of the agreement.

Q19: There are two slides referring to debt amounts. The first slide references roughly \$77k in water, sewer, and sanitation debt placements for 2011. The second slide references all of the other categories but does not reference if those volumes are available for placements. Do you have an idea of total gross monthly placements expected, or an annual estimate?

A19: We expect about \$450,000 to \$500,000 of outstanding court debt as a one-time transfer and about \$100,000 annually thereafter. The City currently has about \$650,000 in outstanding court fees/fines resulting from traffic violations, parking violations and ordinance violations. Of that amount, about \$520,000 is less than ten (10) years old. We will not transfer any outstanding obligation that does not meet the state statutes for collections or internal management requirements, including a to-be-determined minimum dollar threshold. We expect that about \$75,000 to \$100,000 annually will be transferred from outstanding utility bills. There will be some small amount (we expect to be less than \$5,000 annually) from NSF instruments.

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11. Acknowledge receipt of addendum: Proposers shall acknowledge receipt of this addendum on the Proposal Submittal Form in the space to the right of the text on that form that reads, "Receipt acknowledged of any and all issued addenda to this solicitation."
12. Questions, requests for clarifications, and requests to revise the procurement solicitation; addenda: To ask questions, to request clarifications about any aspect of this procurement solicitation, or to request revisions to the procurement solicitation prior to the deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of the procurement solicitation, please contact:

City of Franklin Purchasing Office
Franklin City Hall, Suite 107
109 3rd Ave. South
Franklin, TN 37064
purchasing@franklinton.gov
Tel: 615/550-6692
Fax: 615/550-0079

Depending upon the inquiry, the City may request that the question, request for clarification, or request for revision be submitted in writing, whereupon the City may make all vendors known or thought to be interested in the solicitation aware of the inquiry and of the City's response thereto.

13. Communication with City during procurement phase: Any questions about either the content of or the procurement process pertaining to this procurement solicitation should be addressed as described above. Until the procurement award has been made, vendors shall not communicate about either the content of or the procurement process pertaining to this procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.